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ACTION EUR-12

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SUBJECT: REMARKS OF FOREIGN TRADE MINISTER TO PRAGUE DIPLOMATIC CORPS (JANUARY 12)

BEGIN UNCLASSIFIED

1. SUMMARY: SPEAKING AT RECEPTION HE HOSTED JANUARY 12 FOR ECONOMIC/COMMERCIAL OFFICERS OF PRAGUE DIPLOMATIC CORPS, FEDERAL MINISTER OF FOREIGN TRADE ANDREJ BARCAK EMPHASIZED IMPORTANCE OF CSCE, PRAISED HIS COUNTRY'S IMPLEMENTATION OF BASKET TWO, AND REVIEWED CZECHOSLOVAKIA'S FOREIGN ECONOMIC RELATIONS OVER PAST FIVE YEARS, WITH EMPHASIS ON 1975. HE HIGHLIGHTED CLOSE AND STRENGTHENING INDUSTRIAL AND COMMERCIAL TIES WITH SOVIET UNION, AND WARNED THAT CZECHOSLOVAKIA COULD NOT TOLERATE A CONTINUING IMBALANCE OF TRADE WITH WEST.
END SUMMARY

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2. BARCAK OPENED HIS REMARKS BY DECLARING THAT OF MANY

IMPORTANT EVENTS THAT MARKED PAST YEAR, CSCE "WILL FIND THE MOST SIGNIFICANT PLACE IN THE HISTORY OF EUROPE OR EVEN IN THE HISTORY OF THE WORLD." BARCAK SAID SOCIALIST COUNTRIES WERE FIRMLY DETERMINED TO "IMPLEMENT CONSISTENTLY PRINCIPLES EMBODIED IN DOCUMENTS OF (HELSINKI) CONFERENCE" -- FOR EXAMPLE, NEW REGULATIONS PERMITTING FOREIGN FIRMS TO OPEN OFFICES IN CZECHOSLOVAKIA PROVIDED PROOF OF THIS DETERMINATION IN CZECHOSLOVAKIA.

3. BARCAK EMPHASIZED THAT ECONOMIC RELATIONS WITH USSR AND OTHER SOCIALIST COUNTRIES WERE THE BASIC PREREQUISITE FOR STABLE AND DYNAMIC EXPANSION OF CZECHOSLOVAK ECONOMY, GUARANTEEING SUPPLIES OF RAW MATERIALS, FOOD, MACHINERY AND CONSUMER GOODS, AND PROVIDING LONG-TERM MARKETS FOR CZECHOSLOVAKIA'S MANUFACTURING INDUSTRIES. TRADE IN 1976-1980 BETWEEN CZECHOSLOVAKIA AND THE USSR WILL EXCEED 24 BILLION TRANSFERABLE RUBLES, OR 250 PERCENT OF 1966-1970 TURNOVER. IN COMING FYP PERIOD, WHEN CZECHOSLOVAK-SOVIET RELATIONS ARE EXPECTED TO UNDERGO A PARTICULARLY SIGNIFICANT AND DYNAMIC EXPANSION AND INTENSIFICATION, AN "INCREASINGLY IMPORTANT ROLE" WILL BE PLAYED BY "PURPOSEFUL AND WELL-DESIGNED ECONOMIC INTEGRATION OF OUR MANUFACTURING INDUSTRIES WITH THE SOVIET ECONOMY."

4. TURNING TO WESTERN COUNTRIES, BARCAK NOTED THAT FOR SEVERAL YEARS CZECHOSLOVAKIA HAD IMPORTED MORE FROM WEST THAN IT HAD EXPORTED. HE SAID, "LIKE ANY OTHER COUNTRY, CZECHOSLOVAKIA IS UNABLE TO TOLERATE A LONG-TERM IMBALANCE OF ITS FOREIGN TRADE WITH AN IMPORTANT GROUP OF COUNTRIES LIKE THE ADVANCED CAPITALIST NATIONS." IN A REMARK WITH SPECIAL APPLICATION TO THE UNITED STATES, ALTHOUGH HE DID NOT SINGLE U.S. OUT BY NAME, BARCAK PRESUMED THOSE COUNTRIES WOULD DO AWAY WITH "REMAINING DISCRIMINATORY BARRIERS THAT RESTRICT AND OFTEN MAKE IMPOSSIBLE CZECHOSLOVAK EXPORTS TO THE WEST, AND WHICH STAND IN THE WAY OF BROADENING OF MUTUAL RELATIONS."

5. BARCAK STATED THAT IN 1975 CZECHOSLOVAKIA ENTERED INTO 118 NEW TREATY ARRANGEMENTS, 112 OF THEM BILATERAL, AND 90 WITH SOCIALIST COUNTRIES WHICH AIDED IN STRENGTHENING AND LIMITED OFFICIAL USE

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EXPANDING HER FOREIGN TRADE RELATIONS WITH WORLD. TRADE AGREEMENTS WITH CAPITALIST COUNTRIES DID NOT DEVELOP IN LINE WITH EXISTING OPPORTUNITIES, IN PART BECAUSE OF COMMON MARKET REGULATIONS PROHIBITING BILATERAL TRADE AGREEMENTS. BARCAK NOTED FAVORABLY THAT COMMON MARKET DOES ALLOW ECONOMIC COOPERATION AGREEMENTS, AND SAID THESE WOULD HAVE TO BECOME LEGAL BASIS FOR EXPANDING INDUSTRIAL COOPERATION BETWEEN CS AND COMMON MARKET MEMBER-COUNTRY FIRMS.

MQ SUBJECT OF COOPERATION VENTURES, BARCAK SAID THAT WHILE INTENDING TO PURSUE CONVENTIONAL FORMS OF FOREIGN TRADE, CZECHS WANTED TO EXPAND GREATLY NEW FORMS OF ECONOMIC COOPERATION WITH WEST, MOST IMPORTANT OF WHICH WAS INDUSTRIAL COOPERATION. END UNCLASSIFIED

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6. COMMENT: THERE WAS LITTLE WE HAD NOT HEARD BEFORE IN BARCAK'S SPEECH. MINISTRY OF FOREIGN TRADE OFFICIALS, WHEN ASKED LATER BY EMBOFFS ABOUT MINISTER'S REMARKS ON NOT TOLERATING IMBALANCE OF TRADE WITH WEST, DOWNPLAYED THEM AS BEING MORE FOR PUBLIC CONSUMPTION THAN STATEMENT OF POLICY TO BE APPLIED IN EVERY CASE. IMPORTS FROM WEST, THEY POINTED OUT, MIGHT NOT INCREASE AS FAST AS MANY CZECH INDUSTRY OFFICIALS HAD HOPED, BUT FACT THAT GOVERNMENT HAD DECIDED TO LET WESTERN FIRMS OPEN OFFICES IN COUNTRY HARDLY INDICATED THAT TRADE WITH WEST WOULD FALL OFF. NEITHER WE NOR OTHER DIPLOMATS PRESENT HAVE ANY SPECIFIC KNOWLEDGE OF TYPE OF INDUSTRIAL COOPERATION AGREEMENTS BARCAK MAY HAVE BEEN REFERRING TO. WE REMAIN SKEPTICAL ABOUT PROSPECTS FOR CONSERVATIVE CZECHOSLOVAKS MAKING ANY MAJOR BREAKTHROUGH INTO THE FIELD OF JOINT VENTURES, ALTHOUGH SOME FORMS OF INDUSTRIAL COOPERATION AGREEMENTS (MOST LIKELY WITH WEST GERMANS) ARE CONCEIVABLE. ON BROADER QUESTION OF CZECHOSLOVAK/SOVIET ECONOMIC AND TRADE RELATIONS, BARCAK'S WORDS --EVEN IF SOMEWHAT INFLATED FOR EARS OF HIS LISTENERS-- SEEMED TO BEAR OUT FULLY CONCLUSION WE REACHED IN PARGUE 2998 REPORTING ON SOVIET/CZECHOSLOVAK TRADE PACT SIGNED IN PRAGUE ON NOVEMBER 21, 1975, THAT CZECHOSLOVAK ECONOMY IS HEADED TOWARD CLOSER, RATHER THAN WEAKER, TIES WITH SOVIETS IN NEARLY EVERY SECTOR. REFERRING TO FOREIGN TRADE IN PARTICULAR, ONE SENIOR FTO OFFICIAL WHO HAS BEEN

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GENERALLY SYMPATHETIC TO IDEA OF NEED FOR GREATER TRADE WITH U.S. REMARKED RUEFULLY TO EMBOFF WHEN CONFRONTED WITH OUR CONCLUSION ABOVE THAT A VACUUM WOULD ALWAYS BE FILLED. IT WOULD HAVE BEEN TASTELESS TO RESPOND THAT A VACUUM HAD HARDLY EXISTED IN CZECHOSLOVAKIA FOR SOME TIME, BUT HIS POINT WAS NOT WITHOUT SOME VALIDITY. END LIMITED OFFICIAL USE.

7. FOR USNATO: EMBASSY HAS NO OBJECTION TO THIS REPORT BEING SHARED WITH NATO DELEGATIONS.
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